

1999: The Year in Review

Certificate of Need Activities of the Missouri Health Facilities Review Committee



Certificate of Need

Effective • Efficient • Accountable

Message from the Chair



Thank you for your interest in our Certificate of Need (CON) activities. This report will describe who we are, why we exist, what we accomplished in 1999, and where we are going from here.

The mission of the Missouri Health Facilities Review Committee (Committee) is **to achieve the highest level of health for Missourians through cost containment, reasonable access, and public accountability**. The stated goals are to review proposed health care services, address community need, manage health costs, promote economic value, negotiate competing interests, prevent unnecessary duplication, and to disseminate health related information to interested and affected parties.

Calendar Year 1999 was another busy year. The Committee reviewed 57 CON applications for projects valued at slightly more than \$222 million. In addition, the Committee considered 109 non-applicability requests valued at nearly \$80 million. As a result of Committee actions, the CON review process resulted in capital cost savings of nearly \$23 million.

A special challenge in 1999 was the development of new Rules to implement changes in the CON Statute resulting from the passage of Senate Bill 326. Major changes would generally do the following:

- Allow high-occupancy/high-quality long-term care (LTC) facilities to expand by purchasing beds from other facilities located anywhere in the state or if unsuccessful, to expand licensed bed capacity under certain conditions;
- Allow specific types of bed replacements (6-mile, 15-mile and 30-mile) to take place under certain specific conditions; and
- Extend the LTC bed minimum occupancy requirements for adding beds (in the past this was referred to as the “moratorium”) to January 1, 2003;

The Committee is very thankful for the efforts of the CON Technical Advisory Council (CONTAC). With their help, new Rules were developed and implemented on a timely basis, including a streamlined abbreviated application process for qualifying projects.

Our Committee and staff are dedicated to improving the CON process. As illustrated in a special Position Paper, we are committed to finding more and better ways to streamline our process, to catch up with the health care industry’s shift from facility-based to service-based delivery, and to be more proactive through effective issue-oriented health planning. Not only is it important that government monitor and manage health resources in a sound business framework, it should also motivate innovative approaches which improve access, restrain costs and increase quality for everyone in our state.

Continued cooperation among the Committee, Staff, the CONTAC and interested parties exemplified the benefits of conscientious health care planning in 1999, which will continue to be an ever-increasing part of the CON process as the Committee strives to meet its mission.

Together, we can make a difference!

A handwritten signature in cursive script that reads "Patrick Brady".

Patrick R. Brady, 1999 Chair

Function and Purpose . . .

What Is CON?

Certificate of Need (CON) was designed to restrain unnecessary health care expenditures. The original Missouri CON Statute (§197.300 through §197.365) became effective September 28, 1979, and fully operational October 1, 1980. It is specifically intended to address issues of community need, accessibility, financing, and other community health service factors, plus continuing concerns about high health care costs.

CON promotes cost containment, better management, and responsive planning by health care providers. It is based on a philosophy of public accountability in the development of new and expanded services.

CON helps to contain costs and tries to assure that local community health needs are appropriately met with a minimum of unnecessary duplication and expense.

Services subject to CON review include, but are not limited to, the following:

- Long term care (residential care facility beds plus intermediate and skilled nursing care beds in nursing homes and hospitals);
- Acute care (medical/surgical, rehabilitation, psychiatric, substance abuse, outpatient, obstetrical, ambulatory surgery, and long-term acute care); and
- High technology diagnostic/treatment modes (lithotripsy, magnetic resonance imaging [MRI], positron emission tomography [PET], gamma knives, excimer lasers, radiation therapy and cardiovascular services).

Who Makes the Decisions?

The Missouri Health Facilities Review Committee (Committee) is legislatively mandated to make decisions on new or expanded health services that exceed certain costs. The Committee is comprised of unpaid individuals including five public members appointed by the Governor and four legislative members, two appointed by the President Pro Tem of the Senate and two appointed by the Speaker of the House.

In 1999, the Committee was supported by the eight employees of the CON Program Staff. The Staff works for the Committee to assist applicants, analyze proposals, monitor compliance with certificates issued, maintain CON records, and handle all other functions for the program.

The Committee conducts public meetings about every two months to make decisions in response to formal written applications. The Staff uses specific Criteria and Standards developed by the Committee to analyze applications.

The Committee considers the applications and staff analyses, using a balance of objective and subjective information, to establish their evaluations and decisions of community needs.

Health Care Cost Challenge

The Committee's current Rules contain detailed objective information which is available to potential applicants to help them respond to the following three review criteria:

- **Community Need** for the proposed service;
- **Financial Feasibility** of the proposed service; and
- **Availability** of less costly and more effective alternatives.

Committee members may consider other information, such as the ethnic or religious composition of the service area, emergency situations, osteopathic needs, local community standards, and other topics, as a basis for decisions.

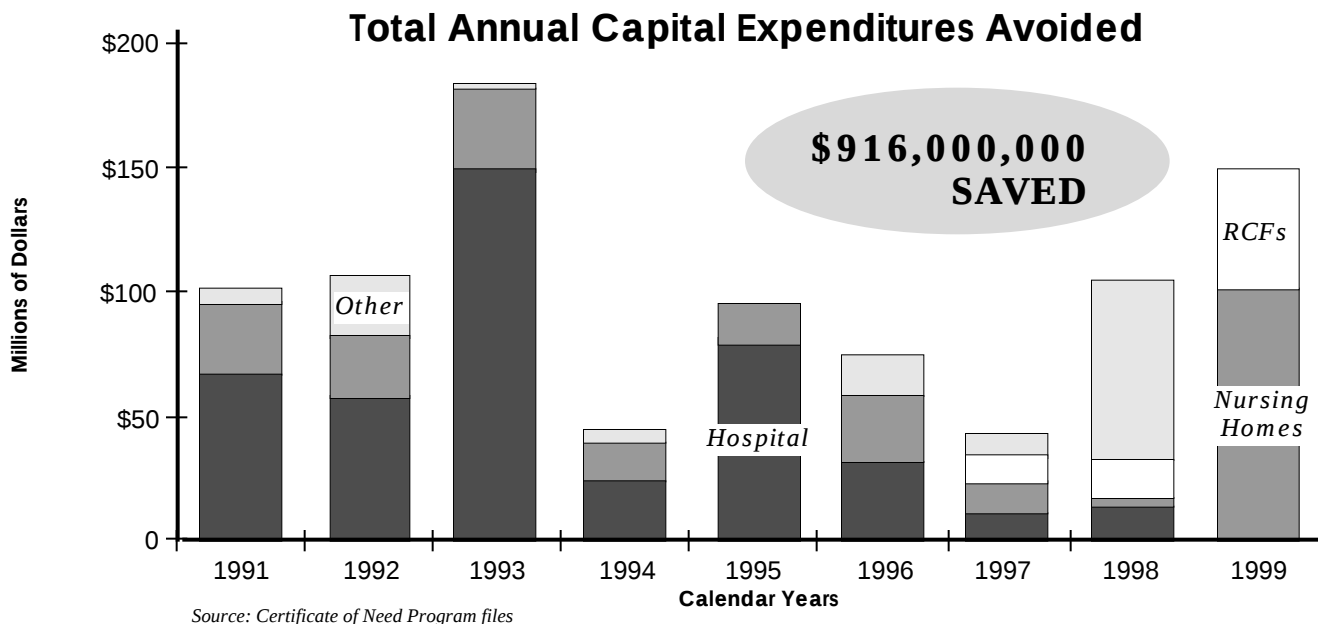
The effectiveness, efficiency, and accountability of CON are well documented. This program:

- Saves over \$175 in capital expenditures for every \$1 spent to administer the program;
- Ensures accountability to the public through public meetings and many opportunities for input;
- Protects the community by limiting unnecessary health care services and inappropriate expenses; and
- Promotes planning through sound management and community need assessment.

Unneeded annual capital expenditures were also avoided because of the Committee's oversight. Due to the "sentinel" effect of the CON Program, only applications where the community need could be documented were submitted. As shown on the graph below, the value of Letters of Intent which never reached the application stage was \$150,196,494 in 1999. This was a significant increase over the \$114,434,707 for 1998.

How Are CON Decisions Made?

CON Successes



Application Volume Up

Type of Project	Number of Applications	Proposed Capital Costs	Approved		Withdrawn		Capital Cost Savings
			As Is	Less	Denied		
Projects							
Hospitals	25	\$134,488,422	22	2	0	1	\$ 8,628,552
Nursing Homes	15	58,425,397	14	1	0	0	5,463,145
Freestanding	4	17,323,301	2	1	1	0	5,272,632
Residential Care	11	8,931,455	10	0	0	1	3,259,750
Cost Overruns	2	3,015,000	2	0	0	0	0
SUB-TOTAL	57	\$222,183,575	50	4	1	2	\$22,924,079
Non-Applicability	109	79,523,837	108	0	1	0	0
GRAND TOTAL	166	\$301,707,412	158	4	2	2	\$22,924,079

Application Volume

Calendar Year 1999 was very busy as the number of CON applications which were reviewed in 1999 increased to 57 from the 48 reviewed in 1998. Total proposed capital costs of those applications were over \$222 million, which represented an 18% decrease from the previous year. The average project cost in 1999 of \$3.9 million was much lower than the average project cost of \$5.7 million in 1998. The above totals include nine abbreviated CON applications for long-term care (LTC) projects to replace or expand LTC facilities pursuant to the provisions of Senate Bill 326. An expedited process was developed in 1999 in order to analyze such requests in a shorter review cycle.

In addition to CON applications, the Committee also reviewed 109 non-applicability requests with estimated total costs of nearly \$80 million, which is much higher than the total costs of nearly \$48 million in 1998. This streamlined, short-form application process was established, by Rule, in December 1996 to review requests for the exceptions and exemptions set out in the CON Statute. It was further enhanced by additional Rules changes in August 1997. This process allowed the Committee and Staff to deal with such requests in a consistent, timely and efficient manner.

Continued Cost Savings

Committee decisions in 1999 saved nearly \$23 million in capital costs (see table above) as compared to nearly \$93 million in 1998. Much of the high success rate of proposals submitted in 1999 can be attributed to applicants working more closely with Staff and the Committee to assure that their applications complied with applicable Criteria and Standards.

In addition, compliance monitoring of existing CONs resulted in forfeiture of three CONs and with a total capital cost of \$14,877,974. Significant savings that do not have a specific financial amount tagged to them, but were very cost-effective, also resulted from:

- Pre-application consultations with applicants, which reduced costs through smaller and reconfigured projects;
- Prevention of proposals in geographic areas with no need; and
- Voluntary cost reductions below CON expenditure minimums.

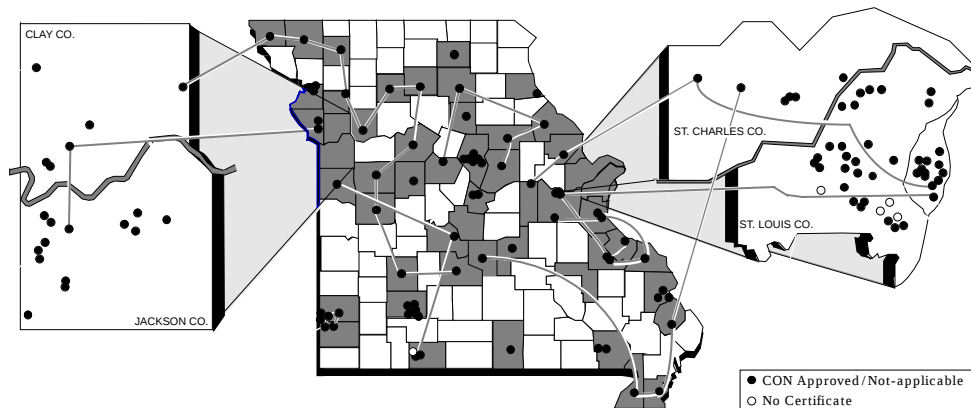
Major Review Areas

Thirteen of the 25 hospital projects reviewed included the acquisition of major medical equipment, such as MRIs (9), cardiac catheterization labs (2), and linear accelerators (2). Seven hospital projects included renovation, modernization and expansion of existing services. Five hospital projects were for the creation of new services, including the development of an ambulatory diagnostic center, the development of a medical office building/wellness center, the establishment of a 45-bed osteopathic hospital, the development of a 6-bed obstetrical unit, and the establishment of a 55-bed women's hospital center. This group of applications was highlighted by the \$34 million proposal to develop a new 55-bed women's hospital center submitted by Women's Hospital Center, LLC and Women's Hospital Real Estate Company L.L.C.

Four projects for freestanding services were reviewed. This was a decrease from the nine reviewed in 1998. One of these projects was for an MRI service, and three involved ambulatory surgery centers. One of the projects for an ambulatory surgery center was denied, and the rest of the freestanding projects were approved.

High tech diagnostic and treatment equipment continued to be a leading area of development. The Committee reviewed 13 applications which included the acquisition or replacement of major medical equipment with total costs of nearly \$24 million. MRIs (three-dimensional non-X-ray scanners) were included in most of the applications (see map below for MRI inventory). Cardiac catheterization (invasive procedure to evaluate heart functions) and linear accelerators (radiation therapy equipment for cancer treatment) made up the remaining applications. No additional PET scanners (three-dimensional radioisotope tracking devices) or gamma knives (radiation therapy equipment for treating brain tumors) were approved in 1999. The number of units involved in these applications were as follows:

Type	Replacement	New	Total
MRI	7	3	10
Cardiac Cath.	2	1	3
Linear Accel.	2	0	2
PET	0	0	0
Gamma Knife	0	0	0
TOTAL	11	4	15



MRIs in Missouri as of February 17, 2000.

Acute Care and Freestanding Services



St. Francis Hospital renovation in Maryville.

High-Tech Equipment



SSM St. Joseph Hospital of Kirkwood MRI in Kirkwood.

NOTE: Four lithotripters were also approved under the "non-applicability" review process, all to establish new mobile lithotripsy services.

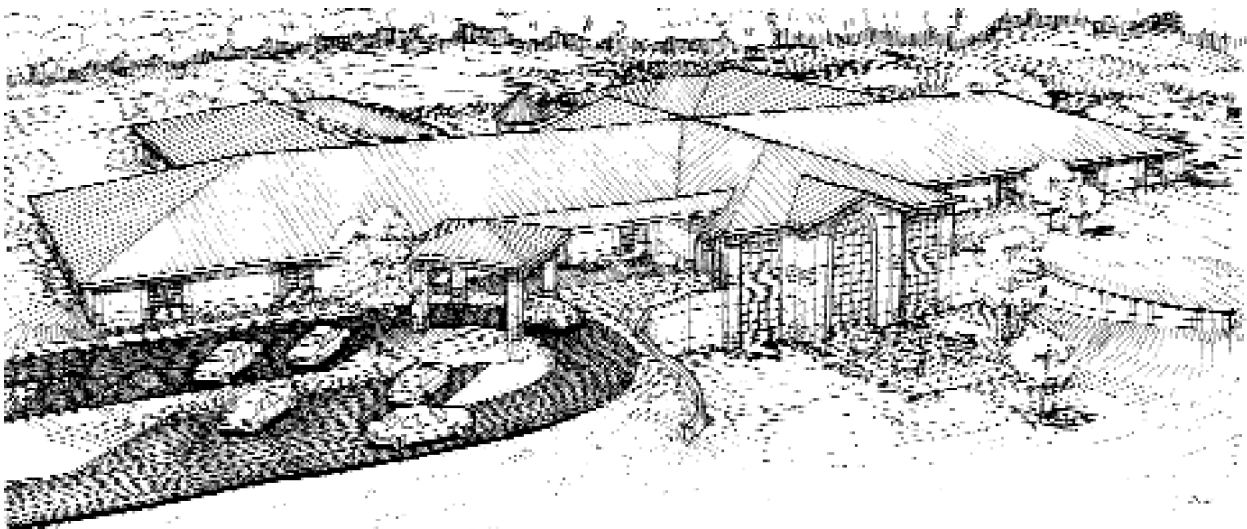
Long-Term Care

One of the highlights of the year was the reinstatement of the Certificate of Need Technical Advisory Council (CONTAC) to look at the existing Rules and recommend changes to implement the provisions of Senate Bill 326 which passed in 1999 making several changes relative to long-term care services. These changes included allowing long-term care facilities to expand through the purchase of beds or construction of beds if an 18-month effort to purchase was unsuccessful. This new capacity adjustment allows high-occupancy LTC facilities (averaging 90% or more occupancy for the previous six calendar quarters with no final patient care class I deficiencies for the past 18 months) to buy any number of beds from anywhere in the state at any time without limit.

An abbreviated review schedule and CON application package were developed to expedite LTC applications for bed purchases and bed replacements. In 1999, 94 Intermediate Care Facility and Skilled Nursing Facility (ICF/SNF) beds and four RCF beds were approved for relocation through this provision.

The number of CON applications for nursing homes increased to 15 from the six reviewed in 1998. Six of the applications were for replacement projects, six were for bed expansions under the provisions of Senate Bill 326, two were for expansion/renovation of existing facilities, and only one project was for the addition of beds to an existing facility. There were no applications for the development of new nursing homes. The "minimum occupancy requirement" for additional ICF/SNF beds continued to be effective in restraining growth. For the year, the available bed occupancy rate averaged less than 82% statewide.

Residential Care Facility (RCF) beds have minimum occupancy provisions nearly identical to those for nursing home beds. Due to low statewide occupancy (77%) and those provisions, there were only four CON applications for additional RCF beds. Of the 11 applications reviewed, seven were for replacement facilities or beds, one was for a renovation with an addition of beds to an existing facility, two applications were for the establishment of new facilities, and one was for a bed expansion under the provisions of Senate Bill 326.



Artist's rendition of the Ash Grove Healthcare Facility, a 62-bed skilled nursing facility in Ash Grove.



Western Missouri Medical Center's expansion and renovation in Warrensburg.



St. Luke's Hospital emergency room renovation in St. Louis.

The Committee and CON Program Staff continued the quest to update the CON Rules. The CON Program had previously operated under Rules developed by the Committee, which became effective on November 30, 1994.

The Rules Subcommittee and the Certificate of Need Technical Advisory Council (CONTAC) were once again reinstituted to solicit input from providers in the long-term care industry on the best way to implement the provisions of Senate Bill 326. Emergency Rules were promulgated followed by a final Order of Rulemaking in 1999. The Rules were changed in 1999 to incorporate the provisions of Senate Bill 326 relative to long-term care.

Continued compliance monitoring and other activities resulted in the Committee dealing with 37 "Other Business" items during the year. These projects all related to certificates which had previously been issued or for Non-Applicability Requests:

Type of Business	Number
Compliance Issues	0
Reissuance of CONs	2
Forfeitures	15
Cost Overruns	2
Non-Applicability Requests	4
Abbreviated LTC Applications	13
All Others	1
TOTAL	37

In 1999, the Committee published a document entitled **CON Position Paper: Streamlining Regulation** which outlined the benefits and the consequences of streamlining the CON review process. As detailed in the CON Position Paper, changes are important to address health care needs in the new millennium. The CON process can be improved by passing new legislation which would:

- Simplify the regulatory process;
- Promote a level playing field; and
- Focus on key health services.

A copy of this publication is available through the CONP Office.

Administration

Other Activities

CON Position Paper

Committee Members

Patrick R. Brady, Chair, Democrat, Kansas City

Appointed in November 1996; is a health care consultant specializing in managed health care. He was formerly Executive Vice President (retired) with Humana (formerly Michael Reese Health Plan) in Chicago and former Executive Director of Truman Medical Center in Kansas City. He has been active in the Group Health Association of America.



Patrick R. Brady

Douglas W. Guthals, Vice-Chair, Democrat, Gladstone

Appointed in February 1997; is an educator with the North Kansas City School District, and has extensive experience with the National Education Association. He has authored numerous publications relating to substance abuse, computers, and social studies. He has worked with various committees focusing on curricula, negotiations, health, and computer technology.



Douglas W. Guthals

John H. Goffstein, Democrat, St. Louis

Appointed in August 1999; is a member in the law firm of Bartley, Goffstein, Bollato & Lange, L.L.C. He is the recipient of the Outstanding Young Lawyer Award of St. Louis County. He serves as a member of the Disciplinary Committee appointed by the Missouri Supreme Court. He has authored several professional articles. He is currently engaged in the general practice of law, primarily representing working people and their families in Missouri.

Nancy J. Stemme, Republican, St. Louis

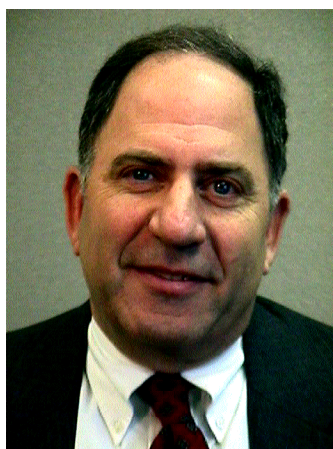
Appointed in August 1999; is Director of Human Resources at Mallinckrodt Inc., providing broad human resources support for the corporation's Respiratory Group. She formerly served as the corporation's Director of Compensation and Benefits, in which position she negotiated vendor agreements for health and welfare benefit programs. She is a member of Mallinckrodt's Employee Benefits Committee with fiduciary responsibility for corporate welfare benefit and pension programs.



Nancy J. Stemme

Dan West, Republican, Kansas City (*Resigned December 13, 1999*)

Appointed in December 1997; is Vice President of Human Resources for Hillyard, Inc. He has negotiated full-funded and self-funded healthcare contracts nationally for the last ten years which included PPO and HMO access. He was Vice Chair of Community Health Plan, a non-profit HMO designed to lower healthcare costs, in Northwest Missouri. He handles all benefits, discipline, EEOC, Affirmative Action Plans, and retirement investments for his national company headquartered in St. Joseph.



John H. Goffstein



Dan West



Sen. Mary Groves Bland

Senator Mary Groves Bland, Democrat, Kansas City

Appointed in January 1999; elected to the House of Representatives in 1980–1994; elected to the Senate in 1998; serves on the following committees: Aging, Families and Mental Health; Civil and Criminal Jurisprudence; Elections, Veterans' Affairs and Corrections; Public Health and Welfare; and the Joint Committee on Wetlands; educated at Ottawa University, Penn Valley and Pioneer Colleges; five times voted as one of Kansas City's Most Influential persons; received the NAACP Humanitarian Award.

Representative Jim Murphy, Republican, Crestwood

Appointed in October 1995; elected to the House of Representatives in 1982–2000; serves on the following committees: Consumer Protection, Labor, and the Joint Committee on Pensions. He is a retired businessman; past president of the St. Louis Chapter of the Missouri Restaurant Association; past president of the American Association of Drive-In Operators; and an author and publisher. He is the 1984 recipient of the St. Louis Globe-Democrat newspaper Public Service Award.

Representative Charles Q. Troupe, Democrat, St. Louis

Appointed in February 1999; elected to the House of Representatives in 1978–1998; serves on the following committees: Accounts, Operations & Finance; Appropriations–Social Services and Corrections (Chair); Banks and Financial Institutions (Vice Chair); Budget; Critical Issues; and Municipal Corporations; Vice President of The Amalgamated Transit Workers Union, Local 788; and has received many other awards throughout his career.

Senator Anita Yeckel, Republican, St. Louis (*Resigned January 27, 2000*)

Appointed in February 1998; elected to the Senate in 1996; serves on the following committees: Civil and Criminal Jurisprudence; Elections; Pensions and Veterans' Affairs; Financial and Governmental Organization; Judiciary; Local Government and Economic Development; educated at University of Missouri-St. Louis (B.S., political science, currently in the MPPA graduate program); previously employed in the financial institutions industry; and presently serving on Lindbergh School District Board of Education.



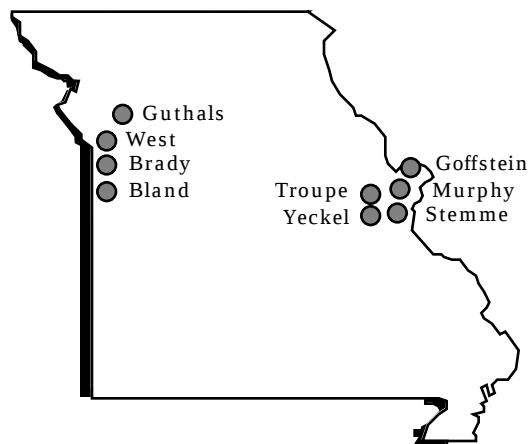
Rep. Jim Murphy



Rep. Charles. Q. Troupe

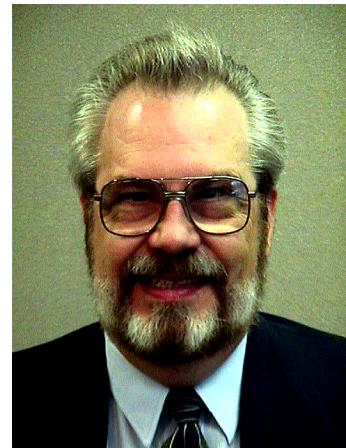


Sen. Anita Yeckel



Certificate of Need Program Staff Members

Thomas R. Piper, CON Program Director
Administers overall CON program operations; advises and consults with applicants and other interested parties; coordinates electronic data systems; develops and presents project analyses; Committee legislative liaison; and has 28 years experience in planning, regulation and rural health development.



Thomas R. Piper

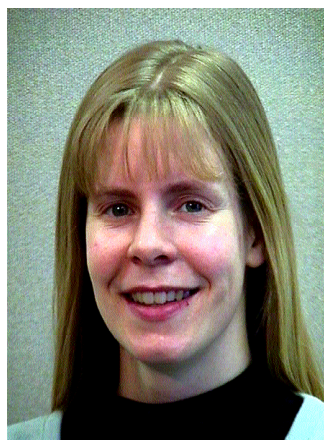
Phillis S. Singer, Office Manager
Acquires and disseminates information; prepares minutes; manages all production activities; personal computers, supplies/equipment procurement, and government systems; and has extensive experience in office management.



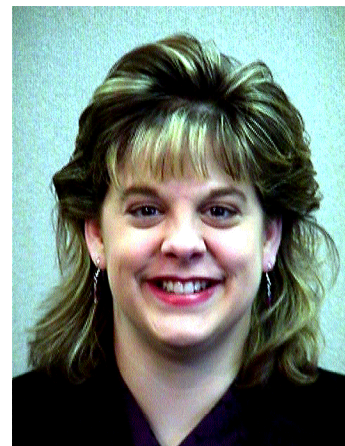
Phillis S. Singer

Kelly S. Stotler, Financial Secretary
Prepares purchase orders/expense reports; oversees office supplies; maintains financial database; and has substantial experience in state government and private industry.

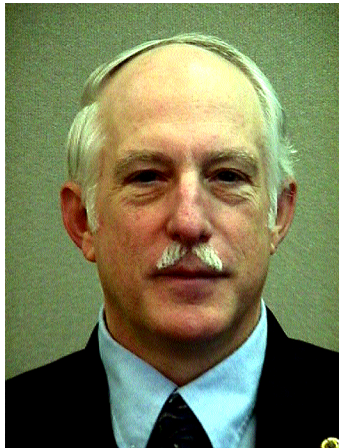
Sarah M. Didriksen, Management Secretary
Processes non-applicability proposals, CON applications and fees, assists in preparation of the Compendium and meeting materials, conducts reception duties; operates copying and facsimile equipment; processes mail, and has substantial experience in health care and program support.



Sarah M. Didriksen



Kelly S. Stotler



Michael E. Henry

Michael E. Henry, Senior Health Planning Specialist
Reviews and analyzes CON applications; maintains long term care databases; prepares Quarterly Status Reports; assists in Criteria and Standards development; Committee meeting Sergeant-at-Arms; extensive CON and state government experience; construction experience; and expertise in accounting and financial management.

Steven E. Feldman, Health Planning Specialist
Reviews and analyzes CON applications; assists in Criteria and Standards development; conducts rulemaking process; Committee meeting Sign-In Coordinator; and has experience in state government and private business including research, analysis, management, health systems planning, teaching and nursing home administration.



Steven E. Feldman

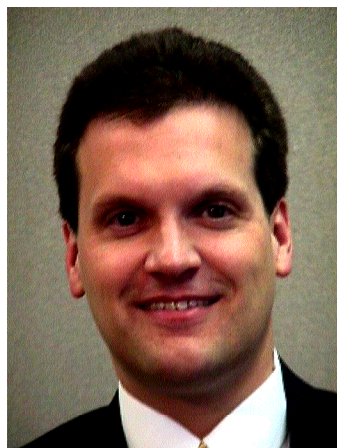
Donna J. Schuessler, Health Planning Specialist
Reviews and analyzes CON applications; coordinates CON databases; acquires and disseminates information; coordinates compliance monitoring for approved CON projects; manages CON procedures; assists in Criteria and Standards development; and has expansive experience in personal computers, administrative, and state government systems.

Dean A. Linneman, Health Planning Specialist
Reviews and analyzes CON applications; manages/supports computer network; technical support for computer network; Committee meeting Timekeeper; assists in Criteria and Standards development; extensive project development, administrative, and managerial experience.

Daryl Hylton, Assistant Attorney General
(assigned to assist the Committee and employed by the Office of the Attorney General) Provides legal assistance and counsel to the Committee and Staff; defends the Committee in most CON litigation; and advises the Committee and Staff on Rules development.



Donna J. Schuessler



Dean A. Linneman



Daryl Hylton

Other Approved Projects



Artist's rendition of new medical mall at St. Mary's Hospital of Blue Springs in Blue Springs.



Residential Care Facility wing under construction at The Essex in Sedalia.

Acknowledgements

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St. Francis Hospital, SSM St. Joseph Hospital-Kirkwood, Ash Grove Healthcare Facility,
Western Missouri Medical Center, St. Luke's Hospital of St. Louis,
St. Mary's Hospital of Blue Springs, and Essex Residential Care.

prepared on behalf of the Missouri Health Facilities Review Committee

by the Certificate of Need Program

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<http://www.health.state.mo.us/CON/Title.html>

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